



History

2013 Iowa Acts Senate File 396 required the Director of Revenue to “develop and recommend legislative proposals deemed necessary for the continued efficiency of the functions of the office of the state debt coordinator established in section 421C.1,” and to prepare and file a report detailing the recommendations by January 13, 2014.

The Office of the State Debt Coordinator (“The Office”) was established in the 83rd General Assembly 2010 Session as part of a comprehensive State Debt Collection Bill. The Office and its duties and authorities were codified in new Code Chapter 421C and the Office was to be housed in the Department of Revenue for budgetary purposes. Section 421C.3 established what was known as a “Court Debt Amnesty” program which was managed and staffed by the Department of Revenue. The limited program generated \$ 2,450,000 in net revenue. Subsequent to the 2010 Session, no State Debt Coordinator was appointed.

Current Status of State Debt

Section 421C.1 details the duties of the State Debt Coordinator. They include reviewing the debt collection practices of each branch of state government and coordinating collection efforts of each branch of state government, with the exception of collection of delinquent child support. The Table below details the major types of State Agency or Board debt and who performs the collection service for that debt.

<u>Agency</u>	<u>Type of Debt</u>	<u>Collection Entities</u>
Department of Human Services	Child Support Recovery	DHS
		IDR Central Collection Unit
	Public Assistance Overpayments	DHS
Iowa Department of Revenue	Taxes and Fees	IDR Tax Management Division
		IDR Central Collection Unit
Department of Inspections & Appeals	Public Assistance Investigations	DIA
Iowa Workforce Development	Unemployment Insurance Overpayments	IWD
Iowa Economic Development Authority	Loans and Direct Assistance	Nyemaster Law Firm
	Tax Credit Recapture	IDR Tax Management Division
Judicial Branch	Court Fines and Fees	Clerk of Court
		IDR Central Collection Unit
		County Attorneys
		Outside Collection Agency

As you can see, most Agencies prefer to handle their own collections, although some also place debt with the Department of Revenue’s Central Collections Unit (“CCU”).

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At least two other Government Agencies/subdivisions also have need for collection services, most notably the Board of Regents for both tuition and fee debt and the University of Iowa Hospitals and Clinic debt. Information on their collection practices had not yet been obtained as of the date of this report so they are not included in the table. Also, the Department of Natural Resources places some permit and license debt with CCU.

The Judicial Branch has perhaps the most complex arrangements for debt collection. The Legislative Services Agency ("LSA") produced an extensive report on Judicial Branch Debt in 2010. The report can be accessed online at: <https://www.legis.iowa.gov/docs/IssReview/2010/IRJDA001.PDF>

Legislative Suggestions

- **Continue Repeal of the Office.** The Department recommends that the repeal of the Office as provided in Code section 421C.5 remain in place. We do believe the State could make improvements to its collections practices and we believe there were some good ideas in Chapter 421C. But we also believe that we do not need to create another bureaucracy to make improvements.

If the Legislature agrees and the Office's repeal remains in place, there are some corresponding Code changes that need to be made. LSA's website indicates that corrective Code changes are currently pending.

- **Driver's License Sanction Reforms.** Section 321.210A allows the Iowa Department of Transportation ("IDOT") to suspend driver's licenses for failure to pay fines, penalties, surcharges, or court costs for individuals who have been convicted for violating a law regarding the operation of a motor vehicle. We believe the modifications below would be improvements to the current process.
 1. **Installment Agreements with Outside Collection Agencies.** Currently when debt collected under section 321.210A is placed with CCU or with a County attorney, taxpayers have the opportunity to enter into installment payment agreements in order to reinstate their driver's licenses. However, outside collection agencies do not have the authority to enter into installment payment agreements with taxpayers for this type of debt. Allowing outside agencies this authority creates consistency as well as allowing more taxpayers to get their driver's licenses back and, in some cases, keep working.
 2. **Allow Installment Agreements in between Request and Actual Suspension.** Current law states that a driver's license must actually be suspended before an installment agreement can be entered into. Allowing installment payment agreements to be made during the time period in between the Court's order for suspension and IDOT's actual suspension will allow more taxpayers to keep a valid license and would in some cases eliminate unnecessary steps in the process.
 3. **Exclude IDOT's Civil Penalty from Installment Payment Agreements.** The Judicial Branch has no way to incorporate IDOT's civil penalties into its systems when debt is placed with CCU or outside collection agencies. Including those civil penalties in installment payment agreements creates additional steps for clerks of court to monitor those amounts and transfer money to IDOT. Because those transfers occur, the amount of debt the Judicial Branch places with CCU and outside collection agencies does not balance with the official court accounting records.

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- 4. Eliminate Limit on Installment Payment Agreements.** Current law allows 5 installment payment agreements for debt collected under section 321.210B, "Installment agreements." However, there is no systematic way for each collection arm to report and track this limit across taxpayers. We do not believe this change would discourage payment and may even encourage it.
- 5. Eliminate Financial Statement Requirement.** Section 321.210B(1) currently requires taxpayers to provide a written financial statement before an installment payment agreement can be executed on Judicial Branch debt. On other types of debt, CCU seldom accepts payment plans longer than two years and structures most payment plans to require direct ACH payments. We recommend that the financial statement requirement be at the discretion of the collection entity.
- **Vehicle Registration Block Revisions.** Section 321.40 allows IDOT to refuse vehicle registration renewal for nonpayment of a number of different types of debt. Similar to the situations described above, outside collection agencies do not have the authority to enter into installment payment agreements with taxpayers to effectuate release of the registration block or "plate block." Allowing them this ability would create consistency across collection entities and help encourage payment.

Conclusion

The Department believes improvements in overall state debt collection can be made. But we also recognize that, as evidenced during the 2010 Legislative Session, tackling that issue is fraught with political and territorial issues. The Department currently has an excellent working relationship with the Judicial Branch and we continue to focus on improvements to our joint collection efforts. However, we are happy to work with the Legislature to explore additional state debt collection strategies as desired.